

## Message Text

PAGE 01 NATO 06226 01 OF 02 082135Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-07 L-02 ACDA-10

NSAE-00 PA-02 RSC-01 PRS-01 SP-02 USIA-15 TRSE-00

SAJ-01 EB-06 OC-05 CCO-00 /068 W

----- 042647

P 081900Z NOV 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 8670

AYDIN ENERGY SYSTEMS

ATTN: MR. RICHARD ASHCROFT

PALO ALTO, CALIFORNIA

TELEX 9103731238

INFO SECDEF WASHDC PRIORITY

USDOC WASHDC PRIORITY

AMEMBASSY BONN PRIORITY

CNO WASHDC PRIORITY

NAVELEXSYSCOM PRIORITY

AYDIN ENERGY SYSTEMS

ATTN: MR. DON TAYLOR

53 BONN

KAISERPLATZ 15

GERMANY

TELEX 886 346

UNCLAS SECTION 1 OF 2 USNATO 6226

E.O. 11652: N/A

TAGS: MARR NATO

SUBJECT: P1A COMMUNICATIONS PROCUREMENT

DEPARTMENT PLEASE PASS TO ENERGY SYSTEMS CALIFORNIA

AMEMBASSY BONN PLEASE PASS TO ENERGY SYSTEMS BONN

REF USNATO 6113, 041630Z NOV 74 (NOTAL)

BEGIN SUMMARY.GERMAN RESPONSE TO US INQUIRY ON AYDIN

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PAGE 02 NATO 06226 01 OF 02 082135Z

ENERGY SYSTEMS DISQUALIFICATION REQUIRES ANALYSIS AND COMMENT  
BY US GOVERNMENT AND COMPANY EXPERTS. REQUEST PRELIMINARY  
ASSESSMENT BY 14 NOVEMBER AND SUPPLEMENTARY INFORMATION, IF  
NECESSARY, BY 20 NOVEMBER, FOR USE IN REPLYING TO GERMANY

AND IN DISCUSSIONS IN PAYMENTS AND PROGRESS COMMITTEE.  
END SUMMARY.

1. GERMAN DELEGATION HAS RESPONDED TO OUR INQUIRY ASKING  
REASONS FOR AYDIN ENERGY SYSTEMS DISQUALIFICATION. TEXT OF GERMAN  
MEMORANDUM TO US MISSION IS AS FOLLOWS:

QUOTE CITE V 62-12-9, 7 NOVEMBER 1974, REF INFRA/1884/74 DATED  
9 SEPT 74. IN ANSWER TO YOUR LETTER AT REFERENCE I HAVE TO  
INFORM YOU THAT THE BID OF AYDIN ENERGY SYSTEMS FOR THE  
TROPOSCATTER PORTION IS CONSIDERED AS NON-COMPLIANT BECAUSE IT  
DOES NOT MEET THE REQUIREMENTS AS STATED IN ANNEX 15 NO.  
1.3 OF THE TECHNICAL SPECIFICATIONS, VIZ. THAT THE EQUIPMENT  
SHOULD CORRESPOND TO THE LATEST STATE OF THE ART (MODULE  
TECHNOLOGY) AND THAT WITH THE EXCEPTION OF THE TERMINAL STAGE,  
FULL TRANSISTORIZATION INCLUDING THE LARGE SCALE USE OF INTEGRATED  
CIRCUITS IS NECESSARY. ( THIS IS AN UNOFFICIAL TRANSLATION  
OF THE GERMAN TEXT).

AS FAR AS THE HF PORTION OF THIS PROJECT IS CONCERNED, YOUR  
ASSUMPTION IS CORRECT THAT IT IS NOT AFFECTED BY THE NON-  
COMPLIANCE OF THE TROPOSCATTER PORTION. HOWEVER, THE EVALUATION  
OF THIS PORTION HAS REVEALED THAT NO FULLY COMPLIANT BID WAS  
SUBMITTED. DETAILS CONCERNING THE CONSEQUENCES OF THIS SITUATION  
WILL BE SEPARATELY FURNISHED TO THE P&P COMMITTEE.

THE INTERNATIONAL STAFF IS KINDLY REQUESTED TO CONSIDER THIS  
LETTER AS THE OFFICIAL INFORMATION CALLED FOR BY AC/4-  
D/1384 (FINAL) THAT THE LOWEST BID IS NON-COMPLIANT.  
/S/ JAECKS FOR HEAD, DEFENSE FINANCE AND INFRASTRUCTURE  
SECTION UNQUOTE.

2. IN ADDITION, GERMAN DELEGATION HAS PRESENTED A MEMORANDUM  
ON SAME SUBJECT TO PAYMENTS AND PROGRESS COMMITTEE. TEXT OF THIS  
MEMORANDUM IS AS FOLLOWS:

QUOTE

CITE V 62-12-9, 6 NOVEMBER 1974

SUBJECT : ICB FOR P1-A COMMUNICATIONS PROJECT

REF: (A) AC/4-(PP)-D/10587

(B) THE ABOVE MENTIONED ICB CAN BE DIVIDED INTO TWO BIG  
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PAGE 03 NATO 06226 01 OF 02 082135Z

PARTS: (A) FOR TROPOSCATTER EQUIPMENT. (B) FOR HF RADIO  
EQUIPMENT. GERMAN AS HOST NATION HAD RESERVED THE RIGHT TO  
AWARD THE CONTRACTS SEPARATELY.

THE TECHNICAL SPECIFICATIONS OF THE CALL FOR BIDS HAD BEEN  
COORDINATED WITH AND APPROVED BY THE USER AND THE NATO INTER-  
NATIONAL STAFF. THE RESULT OF THE BID EVALUATION IS THE FOLLOWING:

(A) TROPOSCATTER PART: THE LOWEST BID HAS BEEN SUBMITTED BY  
THE US FIRM AYDIN ENERGY-SYSTEMS. THEIR EQUIPMENT AN/TRC  
97 IS HOWEVER NON-COMPLIANT. IT DOES NOT MEET THE REQUIREMENTS  
AS DEFINED IN ANNEX 15. 1.3 WHICH READS: THE EQUIPMENT SHOULD

CORRESPOND TO THE LATEST STATE OF THE ART (MODULE TECHNOLOGY).  
WITH THE EXCEPTION OF THE TERMINAL STAGE, FULL TRANSISTOR-

IZATION INCLUDING THE LARGE-SCALE USE OF INTEGRATED CIRCUITS  
IS NECESSARY. (TRANSLATION NOT OFFICIAL). THE AN/TRC 97  
EQUIPMENT DOES NOT MAKE USE OF MODULE  
TECHNOLOGY AND ALSO NOT OF INTEGRATED CIRCUITS.  
THE CONTRACT WILL THERE BE AWARDED TO THE SECOND  
LOWEST BIDDER, THE GERMAN FIRM ELEKLUF, WHICH OFFERS  
THE ITALIAN MADE EQUIPMENT MARCONI MH 170.  
(B) HF RADIO PART: THREE FIRMS HAVE SUBMITTED BIDS, EACH  
OFFERING SEVERAL ALTERNATIVE SOLUTIONS, BUT NOT A SINGLE ONE IS  
FULLY COMPLIANT. THE CRITICAL PIECE OF EQUIPMENT IN ALL CASES  
IS THE TRANSCEIVER SET. THE GERMAN PROCURING AGENCY (BWB) AND  
THE USERS REPRESENTED BY THE CANDE-DIVISIONS OF 2. & 4. ATAF  
ARE HOWEVER OF THE OPINION, THAT TWO OF THE SETS OFFERED  
COULD BE ACCEPTED EVEN THOUGH THEY DO NOT MEET ALL THE  
REQUIREMENTS AS SPECIFIED IN THE CALL FOR BIDS.  
THE ONE IS THE ONE IS THE AMERICAN TRANSCEIVER HOFFMANN VCS-801,  
OFFERED BY AYDIN ENERGY SYSTEMS (AND BY PAGE EUROPE,  
BUT AT A HIGHER PRICE); THE OTHER IS PRODUCED BY THE  
BRITISH COMPANY RACAL AND OFFERED BY ELEKLUF (AND ALSO  
BY PAGE, BUT AGAIN AT A HIGHER PRICE).  
THE BID OF ENERGY SYSTEMS QUOTES A PRICE (FOR THE HF  
PART) OF DM 5.835.948, THAT OF ELEKLUF DM 5.859.004.  
IN SPITE OF THE SMALL DIFFERENCE IN FAVOUR OF ENERGY  
SYSTEMS (ABOUT DM 23.000, LESS THAN 0.5 PER CENT) BWB AND THE  
ABOVE MENTIONED USERS ADVISE TO AWARD THE CONTRACT TO  
ELEKLUF FOR THE FOLLOWING REASONS:

NOTE BY OC/T: PASSED ABOVE ADDEE.UNCLASSIFIED  
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PAGE 04 NATO 06226 01 OF 02 082135Z

UNCLASSIFIED

PAGE 01 NATO 06226 02 OF 02 082310Z

67  
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SAJ-01 EB-06 OC-05 CCO-00 /068 W  
----- 043724

P 081900Z NOV 74  
FM USMISSION NATO  
TO SECSTATE WASHDC PRIORITY 8671  
AYDIN ENERGY SYSTEMS  
ATTN: MR. RICHARD ASHCROFT  
PALO ALTO, CALIFORNIA  
TELEX 9103731238  
TINFO RUEKJCS/SECDEF WASHDC PRIORITY  
USDOC WASHDC PRIORITY

AMEMBASSY BONN PRIORITY  
CNO WASHDC PRIORITY  
NAVELEXSYSCOM PRIORITY  
AYDIN ENERGY SYSTEMS  
ATTN: MR. DON TAYLOR  
53 BONN  
KAISERPLATZ 15  
GERMANY  
TELEX 886 346

UNCLAS SECTION 2 OF 2 USNATO 6226

(I) THE HOFFMANN EQUIPMENT IS OF AN EXTREMELY SMALL AND COMPACT CONSTRUCTION WHICH MAKES REPAIR IN THE FIELD AND BY TROOPS VERY DIFFICULT IF NOT IMPOSSIBLE. THE USERS HAVE THEREFORE POINTED OUT THAT IT WOULD BE NECESSARY TO PROCURE AT LEAST ONE ADDITIONAL SET OF THIS EQUIPMENT AS MAINTENANCE FLOAT EQUIPMENT. THAT CONSEQUENCE WOULD OF COURSE MORE THAN OUTWEIGH THE SMALL PRICE ADVANTAGE OF THIS OFFER.

(II) THE RACAL EQUIPMENT IS ALREADY IN USE AT THE 2. AND 4. ATAF, THEREFORE MAINTENANCE, REPAIR AND UNCLASSIFIED

PAGE 02 NATO 06226 02 OF 02 082310Z

HANDLING OF SPARE PARTS WOULD BE SIMPLIFIED. RACAL EQUIPMENT WILL ALSO BE PROCURED FOR THE "FLEET-PROJECT, A POINT THAT IS OF IMPORTANCE IN VIEW OF LATER TRANSITION TO REMOTE CONTROL.

(III) THE SPECIFICATIONS HAD ASKED FOR THE POSSIBILITY OF A LATER CHANGE FROM 400 W AS PRESENTLY REQUIRED TO 1 KW. IN THE CASE OF RACAL THIS CAN BE ACHIEVED BY PLUG-IN EQUIPMENT, IN THE CASE OF HOFFMANN A SEPARATE PIECE OF EQUIPMENT IS NEEDED.

(IV) THE VALUE FOR THE SUPPRESSION OF INTERMODULATION PRODUCTS IS 34 DB FOR RACAL, 32 DB FOR HOFFMANN. 33 DB IS CONSIDERED AS NECESSARY BY AFCEM AND THE INTERNATIONAL STAFF.

IN VIEW OF THE FACT THAT NO BID WAS FULLY COMPLIANT, GERMANY IS NOT BOUND TO AWARD THE CONTRACT TO THE LOWEST BIDDER (NOR TO ANY OTHER BIDDER). HOWEVER, TO AVOID A NEW ROUND OF ICB WITH INEVITABLE COST INCREASES, GERMANY WOULD LIKE TO GIVE THE CONTRACT TO ELEKLUFT. THE P&P COMMITTEE IS REQUESTED TO AGREE TO THIS ACTION. SINCE THE BIDS ARE ONLY VALID UNTIL 29 NOVEMBER AFTER WHICH DATE A COST INCREASE IS TO BE EXPECTED, A DECISION IN THE MEETING SCHEDULED FOR 28 NOVEMBER WOULD BE VERY MUCH APPRECIATED. /S/ JAECKS  
END QUOTE

3. RE TROPOSCATTER EQUIPMENT: DISCUSSIONS WITH LOCAL ENERGY SYSTEMS REPRESENTATIVES, MR. SCHNEIDAU IN BRUSSELS AND MR TAYLOR IN BONN INDICATE THAT, IN THEIR OPINION, THE CURRENT PRODUCTION

AN/TRC-97 EQUIPMENT WHICH THEY ARE BIDDING DOES EMPLOY MODULAR TECHNIQUES, AND DOES MAKE EXTENSIVE USE OF INTEGRATED CIRCUITS, THUS MAKING THE AN/TRC-97 FULLY COMPLIANT WITH THE REQUIREMENTS OF ANNEX 15, PARAGRAPH 1.3 OF THE SPECIFICATION. MISSION FEELS IT WILL BE IMPORTANT TO HAVE A DETAILED ANALYSIS AND COMMENTARY ON THESE TWO POINTS BY BOTH ENERGY SYSTEMS AND BY KNOWLEDGEABLE US GOVERNMENT ELECTRONICS EXPERTS FAMILIAR WITH THE AN/TRC-97 EQUIPMENT ENERGY SYSTEMS IS CURRENTLY MANUFACTURING. REQUEST BOTH US GOVERNMENT AND ENERGY SYSTEMS CORPORATION PROVIDE THIS ANALYSIS TO US MISSION. RESPONSE SHOULD ATTEMPT TO MEASURE DEGREE OF MODULARITY AND DEGREE OF USE OF INTEGRATED CIRCUITS IN FASHION BEST SUITED TO EXPLAIN SITUATION TO NON-TECHNICAL MEMBERS OF COMMITTEE, WHILE AT SAME TIME PROVIDING UNCLASSIFIED

PAGE 03 NATO 06226 02 OF 02 082310Z

TECHNICAL DESCRIPTION OF SITUATION FOR USE BY THOSE MEMBERS OF INTERNATIONAL STAFF AND DELEGATIONS WHO ARE TECHNICALLY QUALIFIED IN THIS AREA. IN ADDITION, COMPARATIVE INFORMATION FOR THE MARCONI MH-170 WOULD BE USEFUL IF AVAILABLE.

4. MISSION HAS EIGHT DAYS UNDER NATO DISPUTE PROCEDURE IN WHICH TO REPLY TO GERMAN MEMORANDUM QUOTED PARA 2 ABOVE IF US DESIRES TO PURSUE DISPUTE. THERE REQUEST AT LEAST A PRELIMINARY ASSESSMENT IN REPLY TO PARA 4 ABOVE PRIOR TO 14 NOVEMBER. ON THE BASIS OF INPUTS FROM BOTH THE COMPANY AND THE US GOVERNMENT, MISSION WILL DETERMINE WHETHER ENERGY SYSTEMS CASE CAN BE SUPPORTED. IF SO, MISSION WILL FILE NOTICE WITH GERMAN DELEGATION AND INTERNATIONAL STAFF THAT WE INTEND TO PURSUE MATTER WITH P&P COMMITTEE. YOU COULD THEREFORE PROVIDE ADDITIONAL DETAILS AND COMMENTARY SUPPLEMENTING YOUR INITIAL RESPONSE AS LATE AS 20 NOVEMBER FOR MISSION USE IN PREPARING A DETAILED ANALYSIS FOR COMMITTEE CONSIDERATION ON 28 NOVEMBER.

5. RE HF EQUIPMENT, MR TAYLOR OF ENERGY SYSTEMS, BONN ADVISES THAT, IN HIS VIEW, THE GERMAN AUTHORITIES CANNOT VALIDLY CLAIM THAT NO BIDS WERE FULLY COMPLIANT. OF THE THREE ALTERNATIVES OFFERED BY ENERGY SYSTEMS, AT LEAST ONE WAS FULLY COMPLIANT IN ALL RESPECTS (THEIR OPTION B, USING EQUIPMENT MANUFACTURED BY RF COMMUNICATIONS) AND, FURTHER, THIS OPTION WAS APPROXIMATELY 16 PCT LOWER IN PRICE THAN THE OPTION UTILIZING THE HOFFMAN EQUIPMENT. MISSION HAS REQUESTED ENERGY SYSTEMS BONN OFFICE TO CONFIRM THIS BY TELEX AND UPON RECEIPT WILL REQUEST GERMANY TO PROVIDE AN EXPLANATION AS TO WHY THIS BID OPTION SHOULD NOT BE ACCEPTED AS BEING FULLY COMPLIANT. MCAULIFFE

NOTE BY OC/T: PASSED ABOVE ADDEE.

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## Message Attributes

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AYDIN ENERGY SYSTEMS  
ATTN: MR. RICHARD ASHCROFT  
PALO ALTO, CALIFORNIA  
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CNO  
NAVELEXSYSCOM  
AYDIN ENERGY SYSTEMS  
ATTN: MR. DON TAYLOR  
BONN  
KAISERPLATZ  
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TELEX

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